

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6654**

**BILL NUMBER: SB 166**

**DATE PREPARED:** Jan 22, 1999

**BILL AMENDED:** Jan 21, 1999

**SUBJECT:** CEDIT Revenue for Library Property Tax Replacement.

**FISCAL ANALYST:** David Hoppmann

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**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill would allow Hancock County to use County Economic Development Income Tax (CEDIT) revenues for purposes of replacing public library property taxes via property tax replacement credits (only if all territory in Hancock County is included in a library district). It would require that the Hancock County Treasurer establish a library property tax replacement fund in order to maintain CEDIT revenues in accordance with this bill.

It would entitle a public library that did not impose a property tax levy during the previous calendar year, to receive a portion of the property tax replacement credits to be distributed for the calendar year in accordance with this bill. For example, if a new public library were to be established in a current calendar year, and was not in existence to impose a property tax levy during the previous calendar year, it would be entitled to receive property tax replacement credits.

It would require the State Board of Tax Commissioners (the Board) to inform the Hancock County Auditor (the Auditor) of the amount of property tax replacement credits that each public library would be entitled to receive. For each public library that receives property tax credits, the Board would be required to certify to the Auditor, the property tax rate applicable to each public library fund after the property tax replacement credits have been allocated.

It would also require the Board to increase the maximum permissible property tax levy of Hancock County's public libraries if the amount of CEDIT revenues dedicated, for purposes of replacing public library property taxes, is less than in the previous year (the increase would be in the amount of the CEDIT reduction).

It would require the Auditor to certify, to each public library and to the Treasurer, the amount of property tax replacement credits that each public library would be entitled to receive.

It would require that a public library, to be eligible to receive property tax replacement credits, enter into

reciprocal borrowing agreements with all other public libraries in the county.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised) Under current law, the State pays homestead credits equal to 10% of the portion of the library General Fund levies paid by homeowners through 2001. In 2002 and thereafter, the State will pay homestead credits equal to 4% of the portion of the library General Fund levies paid by homeowners. A reduction in Hancock County's library General Fund tax levies will result in a reduction of State homestead credits paid in Hancock County.

This bill would require the Board to inform the Auditor of the amount of property tax replacement credits that each public library would be entitled to receive, and to certify to the Auditor, the property tax rate applicable to each public library fund after the property tax replacement credits have been allocated.

These reporting requirements would not result in any additional cost to the State. The Board could fulfil this provision through its existing budget.

As amended, **if** CEDIT library revenues decrease from one year to another, the Board would be required to increase the maximum permissible property tax levy of Hancock County's public libraries by the amount of the reduction. If the maximum levy is increased, the libraries' total levy authority (tax levy + CEDIT replacement) would be increased. If this happens, the State's expense for PTRC and homestead credit would also increase. Assuming that the libraries take advantage of the additional levy authority, PTRC would increase by 20% of the maximum levy increase. The homestead credit increase would be equal to the amount of the levy increase paid by homeowners multiplied by 10% through 2001, and 4% in 2002 and thereafter.

PTRC and homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any change in these expenditures would ultimately affect the General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** This bill would require the Auditor to certify, to each public library and to the Treasurer, the amount of property tax replacement credits that each public library would be entitled to receive.

These reporting requirements would not result in any additional cost to Hancock County. The Auditor could fulfil this provision through its existing budget.

**Explanation of Local Revenues:** (Revised) Under current law, CEDIT revenues can be used for the following: 1) economic development; 2) construction of capital projects; and 3) retirement of bonds. This bill would allow Hancock County to use CEDIT revenues for purposes of replacing public library property taxes (the provisions of this bill would not limit Hancock County from using CEDIT revenues in accordance with current law).

Currently, Hancock County has two public libraries: Fortville Public Library and Greenfield Public Library. Both libraries levy property taxes for two different funds (e.g., General and Debt Service). For CY 1998, the gross levy for both of these entities totaled approximately \$594,209 with Fortville accounting for approximately 23% and Greenfield accounting for approximately 77%.

Under current law, the minimum CEDIT rate that a county can impose is 0.1%. If Hancock County chooses to impose the minimum rate in order to cover the gross levy for both public libraries, projected annual collections could total approximately \$1,017,844 with \$136,668 designated for Fortville Public Library and \$457,540 for Greenfield Public Library. This estimate is based on Hancock County's 1999 projected adjusted gross income of \$1,017,844,500.

If a public library that did not impose a property tax levy during the previous calendar year receives property tax replacements in accordance with this bill, the amount of property tax replacement credits distributed to Fortville and Greenfield Public Libraries would be reduced by the amount of credits distributed to the new library.

A CEDIT rate of 0.1% would generate approximately \$423,635 in additional revenue for Hancock County than is needed to replace the libraries gross levies [ \$1,017,844 - \$594,209 ]. This additional revenue could be distributed to other taxing units for CEDIT purposes dependent upon Hancock County's decision at the time of CEDIT adoption.

Currently, a county council can impose a CEDIT rate after January 1st but before April 1st of a year. This bill would allow the Hancock County Council (the Council) to impose a CEDIT rate after January 1st but before June 15th of a year.

If the Council imposes a 0.1% CEDIT on June 1, 1999, Fortville and Greenfield Public Libraries could receive up to six months of revenue in May of 2000. The six month distribution would be approximately \$68,334 and \$228,770 respectively.

#### CEDIT/COIT COMBINED RATE

Under current law, a county is allowed to impose CEDIT at a maximum tax rate of 0.5% on the adjusted gross income of county taxpayers. Counties that impose the County Adjusted Gross Income Tax (CAGIT) are allowed to impose a combined CAGIT and CEDIT rate up to 1.25%.

Currently, Hancock County does not impose CEDIT but imposes the maximum CAGIT rate of 1%. If Hancock County chooses to impose CEDIT at a 0.25% rate, projected annual collections could total approximately \$2,544,611.

If the Council imposes a 0.25% CEDIT rate on June 1, 1999, Hancock County could receive up to six months of additional revenue in May of 2000. The six months revenue distribution would be approximately \$1,272,305.

#### MAXIMUM LEVY LIMIT

As amended, if CEDIT library revenues decrease from one year to another, the Board would be required to increase the maximum permissible property tax levy of Hancock County's public libraries by the amount of the reduction. If the maximum levy is increased, the libraries' total levy authority (tax levy + CEDIT replacement) would be increased. If the libraries take advantage of the increased levy authority, total library revenues would be increased.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** Hancock County.

**Information Sources:** Melissa Henson, State Board of Tax Commissioners, (317) 232-3785; State Budget Agency.